

Why aging baby boomers will find few moderately priced senior housing options

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Kathleen Webb never imagined she'd live in a building for senior citizens.

Like many baby boomers she figured she'd stay young indefinitely. "I still don't feel like a senior citizen," the 67-year-old said this week. But as the sun streamed through the windows of her brand-new [Aurora St. Charles](#) Senior Living apartment, she was relieved.

"It's beautiful, and I can afford it," she said, contrasting her apartment with the dilapidated house with frightening electrical problems that she previously rented for \$800 a month. Webb said she's paying much less than that now for housing that is subsidized by the government.

She considers herself one of the lucky people of her generation. Many baby boomers, who are currently between the ages of 62 and 71, have no interest in senior housing yet, but as they age the need for senior housing is expected to be huge. And many won't find what Webb has.

Chicago's population is gradually getting older. In 2014, people over 65 made up 24 percent of the population in the Chicago region, up from just 18 percent in 1970, according to a report by the Chicago Metropolitan Agency for Planning. Although most seniors surveyed by AARP say they'd like to remain in their homes, the reality is that age-related physical limitations — difficulty climbing stairs and shoveling driveways — will make staying put difficult for many.

All of this signals huge demand for senior housing in the years to come, and developers have been rushing to build or refurbish both rental and for-sale housing for the nation's 75 million baby boomers.

Yet housing experts point to a mismatch between what's being built and what will be needed. Most construction has been aimed at the affluent luxury market, as developers have tried to lure active young seniors by emphasizing spalike amenities ranging from swimming pools to movie theaters. Not enough senior housing is being developed for middle-income retirees.

"This is frightening to me," said Dana Wollschlager, partner with Plante Moran Living Forward, a real estate planning consultant. "Most people aren't going to be able to put down a half-million dollars."

The phenomenon will leave boomers stranded in homes that aren't safe for them, families struggling to help aging parents that might be miles away, and Medicare and Medicaid services dealing with injuries and illnesses that might have been prevented if seniors were appropriately housed, she said.

Half of people between 62 and 69 have saved less than \$104,974 for retirement, according to the Urban Institute. By the year 2036, 40 percent of individuals over age 62 are projected to have financial assets of \$25,000 or less.

With so little in savings, people wouldn't be able to cover current senior housing costs, notes Wollschlager. Nationally, the average rent for independent-living senior buildings — or apartments meant for people who cook and clean on their own — now runs \$3,025 monthly, Wollschlager said.

For assisted living — or apartments where seniors get meals, house cleaning, transit to doctors and help with medical issues if needed — the average base rate is \$4,454 nationally. Services like reminders to take medicine or help dressing cost more. Annually, a person would need to devote \$62,880 to pay for their housing and food.

In Chicago's northern suburbs, many new assisted living buildings cost even more — about \$6,000 a month, or \$72,000 for a year, notes Valerie Kretchmer, of Valerie S. Kretchmer Associates, who studied senior housing needs in the northwest suburbs for the Metropolitan Mayors Caucus in 2013.

For very low income people — typically those who depend solely on Social Security — affordable housing like Kathleen Webb's is being built with government subsidies. But there is not enough low-cost housing, and there is virtually nothing being built for moderate-income seniors, currently with annual incomes between \$30,000 and 50,000, said Wollschlager. That's true nationally as well as for the Chicago area.

In 2013, Kretchmer calculated a need for 800 moderate-priced senior housing units in Chicago's Northwest suburbs, where construction for the affluent has been prevalent and where vacancies are growing in assisted living and memory care units because so many new buildings are competing.

Kretchmer noted that moderate-income people fall within a gap — too wealthy for the affordable, subsidized housing that typically goes to people with incomes under \$30,000, and too poor for the upscale apartments that have become popular to build.

Some may be able to handle high rents if they sell their homes and use the proceeds for rent, but she said many still have not recovered completely from the housing crash. Many seniors approaching their 80s and struggling with stairs in townhouses are currently stuck, she said. They moved out of their single-family homes after becoming empty nesters, and paid too much for independent living. Consequently, they can't afford assisted living or memory care, Kretchmer said.

The average age of people moving into senior buildings is 83, noted Dan Hermann, head of investment banking for Ziegler. Their adult children often push them to move into buildings where they will be safer, and less isolated, than in their homes.

The reluctance to move is one reason why developers are trying to compete with increasingly luxurious buildings, often promoted in marketing brochures as resort communities. Younger seniors are sometimes drawn to continuing care retirement communities, which offer a continuum of care ranging from independent living to nursing care, Hermann said. Such facilities typically charge low- to mid-six-figure upfront fees, and then monthly rents may range from \$2,000 to \$5,000.

But in addition to leaving most baby boomers behind due to price, Kretchmer said the emphasis on the affluent market alone can leave developers vulnerable to vacancies. Affluent seniors can afford to stay in their homes and hire private caregivers, she noted.

In the Chicago area, that can cost about \$250 a day, or more than \$90,000 a year for a full-time caregiver in a home.

Wollschlager, the real estate planning consultant with Plante Moran Living Forward, said there are so many developers chasing affluent customers that some senior housing projects will consequently struggle.

It is possible to build for less-affluent baby boomers, Ward Isaacson, president of Pope Architects, told the Interface InterFace Seniors Housing Midwest Conference in Chicago this month.

"Buildings don't need 12 different social spaces," multiple dining rooms, movie theaters and swimming pools, Isaacson said. "Just because so-and-so has a pool, doesn't mean you have to. This all started with targeting the upper-income market with the sense that you are living in a resort or that you'll be on a cruise ship every day of your life."

Governments also could cut the costs of development and operation by overhauling regulations, said Wollschlager.

Various governmental entities are making efforts to provide more senior housing, although this won't address the shortage of housing available for middle-income seniors. The Chicago Housing Authority, for example, has plans to construct two affordable senior buildings above new libraries, at Western Avenue and Pratt Boulevard in the West Rogers Park neighborhood and at 4022 N. Elston Ave. in the Irving Park neighborhood. Evergreen Real Estate Group, which constructed Webb's building by converting a historic building to senior housing in Aurora, will be the developer.

The new developments, each with 44 units priced at \$750 a month or lower, based on a renter's income, will put seniors in proximity to library activities as well as nearby transportation and shopping, said David Block, director of development for Evergreen.

Despite individual efforts by governments to make a dent in future needs, Brad Winick, a planning and aging consultant, said the full Chicago region is behind many areas of the country in planning comprehensively for the onslaught of an aging population.

Adds Wollschlager, "The oldest baby boomers are now 71. We have to get our arms around this."

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